

TELEPHONE TAXES
RCW 82.14B

Tax Base Each telephone access line.

Tax Rate

State - up to \$0.20 per switched line, RCW 82.14B.030(3). Each year the tax rate is recommended by the State Enhanced 911 Coordinator and is formally adopted by the Utilities and Transportation Commission.

Counties - Up to \$0.50 per switched line, RCW 82.14B.030(1).
 - Up to \$0.25 per radio access line, RCW 82.14B.030(2).

Currently, all counties levy the tax on switched lines. The rate in 38 counties is the maximum 50 cents; King County levies only 35 cents per line. All counties have now imposed the additional tax on radio access lines.

Levied by State and counties

Administration

The tax is collected by telephone companies from the customer or end user in the case of radio access lines; the amount of the tax is separately stated on billings to the customer. The receipts, after deduction of the company's collection costs, are remitted to the county and the State Treasurer (via the State 911 Office) within 30 days. The counties are responsible for administering the county 911 tax via local ordinance. The state enhanced 911 office monitors collection of the state tax and makes a recommendation to the Utilities and Transportation Commission regarding the tax rate. In 1999, administration of the state tax was transferred from the Military Department to the Department of Revenue. Reporting of the tax by telephone companies is on an addendum to the combined excise tax return.

Distribution of Receipts

Local funds are used for the county emergency services communication system. State tax receipts are deposited in the enhanced 911 account (RCW 38.52.540) and are used to fund the state program and to assist counties in implementing enhanced 911 services.

Recent Collections (\$000)

STATE ENHANCED 911 TAX			
<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$11,734	22.4%	0.1%
2000	9,588	15.3	0.1
1999	8,313	(2.7)	0.1
1998	8,544	(18.5)	0.1
1997	10,489	47.4	0.1
1996	7,114	0.3	0.1
1995	7,090	4.2	0.1
1994	6,806	3.0	0.1
1993	6,606	-.-	0.1
1992	2,549	-.-	0.0

According to data reported by counties to the State Auditor via the Budget, Accounting and Revenue system, counties collected a total of \$20.7 million (\$14.5 million for switched lines, \$6.2 for wireless) in county telephone taxes during calendar year 2000.

Exemptions

- federal and foreign governments.
- enrolled members of Indian tribes.
- any activity which the state or counties are prohibited from taxing under the state constitution or the constitution or laws of the U.S.

History

The original county tax on switched lines was authorized in 1981; the tax had to be imposed on a countywide basis. In 1987, the county legislative authority was permitted to levy the tax on behalf of an emergency service communication district which could serve an area less than countywide. The state enhanced 911 excise tax was approved by the voters in 1991 (Referendum 42); the tax was first effective on January 1, 1992. The state rate has always been the maximum 20 cents per switched line to ensure funding for the implementation of an enhanced 911 telephone system on a statewide basis. The state rate was scheduled to decrease to 10 cents when implementation was completed in 1998, but the 1998 Legislature amended the statute to retain the maximum 20 cent rate. The additional county tax on wireless lines was authorized by the Legislature in 1994.

Discussion/Major Issues

These revenue sources fund the acquisition and operation of "911" emergency systems. Legislation adopted in 1992 mandates statewide implementation of "enhanced" 911 emergency communications (systems which recognize the telephone number and location of the caller) by December 31, 1998.

The state tax applies only to switched access lines; there is no separate tax on wireless telephone communications. Further, some argue that wireless communications should pay the same county tax rate that is paid by switched line customers when the same level of enhanced service is available for these users. Such service should occur when the technology is developed that will permit the location of mobile callers.